

# Q1 FY25

QUARTERLY UPDATE
AND APPENDIX 4C

29 October 2024

# September 2024 Quarterly Update and Appendix 4C

## Q1 FY25 Highlights

- Customer receipts of US$3.4m (A$5.1m[1]), up 35% on prior corresponding period (pcp)
- Q1 FY25 revenue of US$3.7m (A$5.5m), up 69% on pcp
  - Record revenue quarter – driven by an increasing contribution from PaaS clients
  - 69% of Q1 revenue from recurring revenue streams[2]
- PaaS revenue ramp up continuing – a key factor in driving future revenue and cashflow
  - 60k+ active cards on Vertexon PaaS platform (generating revenue), including all cards from successful go-live with Unity Credit Union in September
- New Vertexon PaaS client signed in NZ, new PaySim client signed in SE Asia and new projects secured with existing Vertexon On-Premises and PaySim clients
- Maturing sales pipeline with increasing number of opportunities in Australia, NZ and the US being driven by increasing reference-ability in market
- Cash holdings of US$4.6m (A$6.9m) with no debt as at 30 September 2024 – excludes additional cash backed security guarantees of US$1.0m (A$1.5m)

**Investor Webinar Registration**

Tuesday, 29 October 2024 at 10:00am Brisbane (AEST) / 11:00am Sydney time (AEDT)

Click here to register (or see link on page 6)

**29 October 2024** **Change Financial Limited (ASX: CCA) (Change** or **the Company)** is pleased to release an update on the Company's business activities along with the Appendix 4C for the quarter ended 30 September 2024 (**Q1 FY25**).

**Change CEO Tony Sheehan** commented, "It has been a positive start to FY25 for Change as new clients were secured and contracted PaaS clients were onboarded and continued to scale, helping deliver our third consecutive record revenue quarter.

"Of significant note, the team successfully completed the onboarding of Unity Credit Union in NZ. We now have more than 60,000 active cards generating transactional revenues on the Vertexon PaaS platform.

"As a result of material growth in Q1 active cards and flow on effects to card transaction volumes, we incurred a material increase in PaaS related COGS and associated security collateral requirements which resulted in short-term pressure on our cash flows. We addressed this by undertaking a small placement and SPP which was well supported by existing shareholders but pleasingly also resulted in several new institutional shareholders joining the register.

"The increasing reference-ability and demonstration of Change's product and service offering with live marquee clients is proving a key factor in the selection process for new potential clients and provides us confidence in our ability to deliver our FY25 targets of revenue growth in excess of 30% and a maiden EBITDA positive year."

[1] AUD/USD = 0.67, all AUD amounts are converted for representation purposes to assist the reader
[2] Includes Support & Maintenance and PaaS transaction fee revenue

## Business Activities

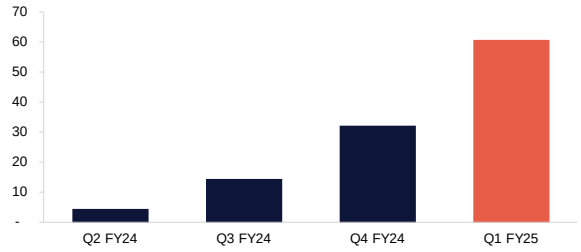
### Growth in Processing and Issuing

During the quarter, Change completed the successful migration of Unity Credit Union's approximately 20,000 debit cards and related transaction volume to the Vertexon PaaS platform. Change now has more than 60,000 active cards on the Vertexon PaaS platform in Australia, NZ and the US.

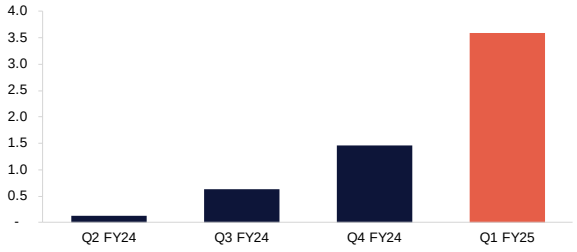
The metrics presented below are global (Australia, NZ and US) metrics for Change relating to its Vertexon PaaS offering[3]. Transactional revenues will continue to scale up with the growth of existing clients and the onboarding of new clients.

### Vertexon PaaS Metrics

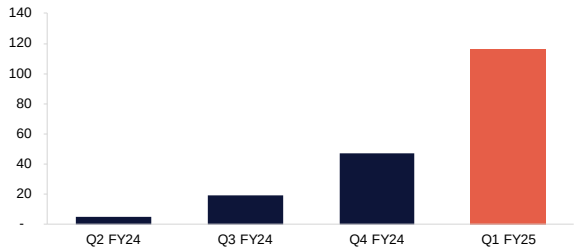
**Active Cards (thousands)**




**Transactions Processed (millions)**




**Transaction Volumes (US$m[4])**




### New Sales Wins

Change secured new sales across all business divisions in Q1 FY25 including a Vertexon PaaS client in NZ, a PaySim client in SE Asia and a number of projects with an existing Vertexon On-Premises client.

The new fintech PaaS client in NZ partners with large retail organisations to enhance brand awareness, expand market share, and drive customer loyalty through targeted promotions. These promotions are facilitated by prepaid cards, providing a seamless and effective way to engage customers. Transactional and volume related revenues are expected to begin in mid-FY25 following the targeted go-live and launch of the card program. The client already operates in other jurisdictions and has signed with Change to launch their NZ business.

The new PaySim client delivered licence revenue during the quarter with related maintenance to be earned over future periods. The new Vertexon On-Premises project work will deliver professional services revenue over current and future quarters.

[3] Vertexon On-Premises client metrics are not reported given the limited correlation between card and transaction volumes and resulting revenue.
[4] Transactions are denominated in local currencies and have been converted to USD, Change's reporting currency, for reporting purposes

### US Operations Update

Unlike Australia and New Zealand where Change is a principal issuer with Mastercard, regulatory requirements in the US stipulate that Change partner with an issuing bank to facilitate a part of the payments offering. Over the past 18 months, notably following the collapse of Silicon Valley Bank, there has been a significant shift in the US regulatory environment with materially increased oversight of banks and the way they operate with third-party partners, in particular fintechs, drawing increased scrutiny. In recent months regulators have imposed a significant increase in enforcement actions against banks.

On 17 October, the Office of the Comptroller of the Currency (OCC) announced it had taken enforcement action against Change's current US issuing bank partner. The issuing bank is completely independent of Change and the regulator's enforcement actions against the bank do not relate specifically to Change however any new programs seeking to onboard with the current issuing bank now require submission to, and approval from, the regulator. Inevitably, this increased regulatory oversight will impact onboarding timelines for any new Change programs in the US.

The risk associated with a single US issuing bank partner is something Change has been actively seeking to address and mitigate. As a result, Change is already in advanced stages of due diligence and commercial negotiations with one of the top 10 issuing banks in the US around future growth plans in the region.

While the enforcement action against Change's issuing bank creates delays to growth plans in the US, it does not affect Change's near to medium term growth plans more broadly and specifically in Australia and New Zealand. Change continues to assess its strategic options for the US and will provide further updates as they become available.

### Successful Product Expansion and Launch with Major Vertexon On-Premises Client

During the quarter, Change delivered the final milestones on a major project for an on-premises SE Asian client to broaden their offering to include credit cards. The client has successfully launched their credit card offering and has already onboarded more than 45,000 cardholders. The client continues to see a very high level of interest from their marketing activities and the number of cardholders is expected to continue to grow significantly over the coming periods (albeit noting Change does not receive PaaS transactional revenues from this client). Not only does the client's success demonstrate the power of the Vertexon platform, but the expanded product partnership also continues to strengthen Change's relationship with the client and provides the potential for future professional services and license sales opportunities.

### Australian Fintech Incubator

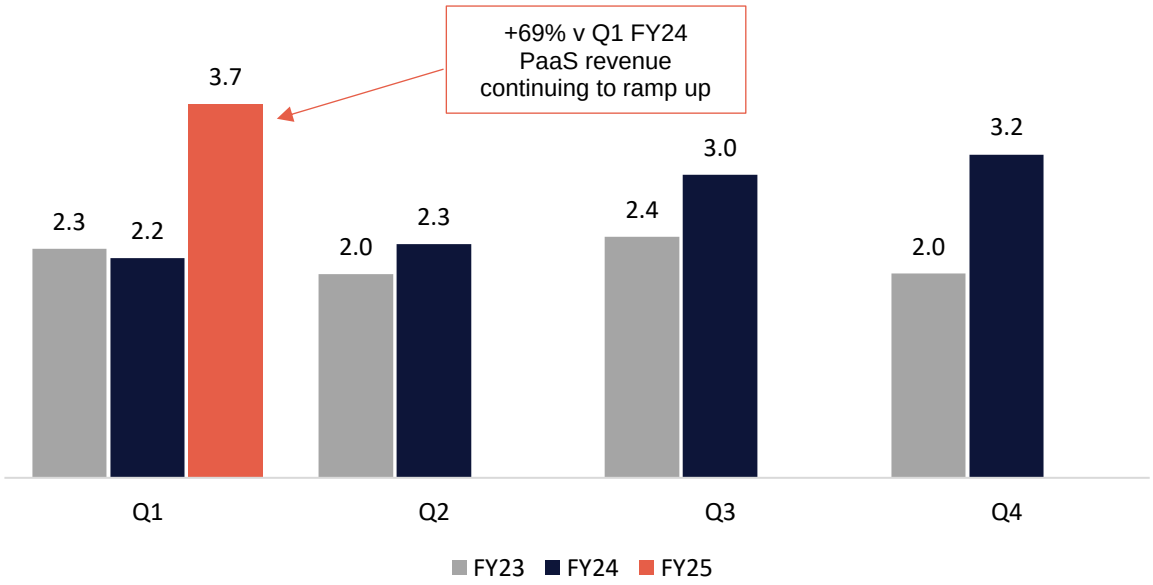
Change, in partnership with Mastercard and Fintech Actuator, has now onboarded the first three participants of the Australian Fintech Incubator (**Incubator**). The Incubator enables fintechs to launch small quantities of prepaid cards to test their payment products and associated commercial models in Australia. Each fintech that joins the Incubator enters into an agreement which details terms for graduation (expected after a period of six to nine months) from the Incubator including but not limited to exclusivity arrangements with Change and Mastercard.

The current participants in the Incubator are Vivi Money, Accountedfor and Doing Good Rewards.

## Financial Update

Change delivered Q1 FY25 revenue of US$3.7m (A$5.5m[5]), up 69% on prior corresponding period (**pcp**). This growth was primarily driven by increasing PaaS revenue which ramped up significantly in the quarter as card and transaction volumes continued to migrate across to Change and new clients went live. Additionally, the Company continued to deliver one-off licence sales and professional services revenue in line with expectations and previous years.

[5] AUD/USD = 0.67




With PaaS revenues continuing to increase, Change is building an increasing base of recurring revenue. For FY25 YTD, approximately 69% of revenue was derived from recurring income streams (Support & Maintenance and PaaS transaction fees) with 31% from project and licence income (i.e. non-recurring income). The proportion of recurring income (as a % of total revenue) is expected to continue to increase over time driven particularly by growth in the Company's PaaS offering.

| FY25 YTD Revenue Contribution | US$m |
|---|---|
| PaaS | 1.2 |
| Support & Maintenance | 1.3 |
| Licence & Professional Services | 1.1 |
| Other | 0.1 |

Cash receipts from customers totalled US$3.4m (A$5.1m), up 35% on pcp.

Cash payments for operating activities (excluding income tax and interest) totalled US$3.6m (A$5.4m), up approximately 54% on pcp. Staff costs, which comprised approximately 37% of cash payments for operating activities (excluding income tax and interest), were up 8% on pcp. The Company has already hired key roles such as fraud management, compliance and client onboarding, which are critical for PaaS operations. Given Change has the team in place to enable significant further scale in PaaS volumes and to onboard new clients, staff costs are expected to grow only modestly relative to new revenue growth into the future.

The increase in administration and corporate costs (US$1.5m in Q1 FY25 vs US$1.0m Q4 FY24) primarily relate to transaction costs for the NZ PaaS clients as volumes increased materially. It is anticipated these costs will continue to increase in line with PaaS volumes.

During the quarter, Change successfully completed a US$3.1m (A$4.4m) capital raising. The proceeds from the capital raising will be used for:

- Working capital cycle support – material increase in PaaS volumes (and hence revenue) is driving an increase in volume related COGS. Change incurs and pays the majority of these COGS daily before receiving invoice payment from clients monthly in arrears;
- Security collateral – uplift in PaaS volumes has resulted in an increase in required scheme collateral. During the quarter, Change funded an additional US$0.4m (A$0.6m) of security collateral from cash holdings. Moving forward, this requirement will be mitigated through client funding of collateral; and

- Support growth opportunities – with the PaaS platform live and operational in NZ, Australia and the US and processing material volumes for blue chip clients, reference-ability is driving growth opportunities.

Change's cash position at the end of the quarter was US$4.6m (A$6.9m), with an additional US$1.0m (A$1.5m) held in cash backed security guarantees which are required to support the Vertexon PaaS Platform. The Company has no debt facilities in place.

## Outlook

With strong foundations in place, Change is focussed on delivering profitable growth.

As previously advised, in FY25 Change is targeting to deliver revenue growth in excess of 30% and a maiden EBITDA positive result. Following completion of Q1 and the delivery of a record quarterly revenue result, underpinned by 69% of revenue from recurring income streams, Change is on track to achieve these targets.

## Webinar Invitation - Investors and Analysts

Investors are invited to join a live webinar and Q&A hosted by Change CEO, Tony Sheehan and Executive Director, Tom Russell on **Tuesday, 29 October 2024 at 10:00am Brisbane (AEST) / 11:00am Sydney time (AEDT)**.

Please register ahead of time via the following link:
https://us06web.zoom.us/webinar/register/WN_DVUTAaDFTHKKowBawQUKUQ

Once the registration form is completed, investors will receive a confirmation email with details on how to access the webinar.

Investors can submit questions prior to the webinar to investors@changefinancial.com or do so via the Q&A function on Zoom.

## Other Disclosures

The majority of Change's revenue is derived in USD whilst most operating costs are currently incurred in AUD and NZD. As such, the Company benefits from a strengthening USD relative to the AUD and NZD. Additionally, whilst the Company reports in USD, the majority of cash held by the business is in AUD to align with the denomination of the majority of the cost base. As a result of this dynamic, the USD reported figures will be subject to foreign exchange rate fluctuations during the reporting periods (refer accompanying Appendix 4C). All AUD amounts are converted for representation purposes to assist the reader.

Payments to related parties of the entity and their associates are detailed in Section 6 of the Appendix 4C relate to the directors' fees and other related party fees paid during the quarter.

All financial figures in the following Appendix 4C are denominated in US dollars unless stated otherwise.

*Authorised for release by the board of Change Financial Limited.*

## About Change Financial

Change Financial Limited (ASX: CCA) (Change) is a global fintech, leveraging innovative and scalable technology to provide tailored payment solutions, card issuing and testing to banks and fintechs. Change's technology is used by 150+ clients across 40+ countries to deliver simple, flexible, and fast-to-market payment services, including card issuing and testing.

Change's payments as a service (PaaS) platform Vertexon, seamlessly integrates with banks and fintechs' core systems enabling delivery of digital and virtual card solutions to their customers. It includes integrated features such as Apple Pay, Google Pay, Samsung Pay and Buy Now Pay Later (BNPL) services. Change currently manages and processes over 27 million credit, debit, and prepaid cards worldwide.

Using PaySim, Change tests payment systems to help clients meet the reliability and performance expectations of end customers. Simulating the full transaction lifecycle across multiple systems, PaySim enables banks and fintechs to complete end-to-end testing of their payment platforms and processes from a desktop. Change also provides the default standard for payments testing for many Australian companies, including Australia's domestic card payment service eftpos.

Learn more about Change at www.changefinancial.com

## For more information, please contact:

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# Appendix 4C

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

| **Name of entity** | |
|---|---|
| Change Financial Limited | |
| **ABN** | **Quarter ended ("current quarter")** |
| 34 150 762 351 | 30 September 2024 |

| **Consolidated statement of cash flows** | | **Current quarter $US'000** | **Year to date (3 months) $US'000** |
|---|---|---|---|
| **1.** | **Cash flows from operating activities** | | |
| 1.1 | Receipts from customers | 3,433 | 3,433 |
| 1.2 | Payments for | | |
| | (a) research and development | - | - |
| | (b) product manufacturing and operating costs | (690) | (690) |
| | (c) advertising and marketing | (46) | (46) |
| | (d) leased assets | (29) | (29) |
| | (e) staff costs | (1,336) | (1,336) |
| | (f) administration and corporate costs | (1,502) | (1,502) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | 15 | 15 |
| 1.5 | Interest and other costs of finance paid | (6) | (6) |
| 1.6 | Income taxes paid | (3) | (3) |
| 1.7 | Government grants and tax incentives | - | - |
| 1.8 | Other (provide details if material) | - | - |
| **1.9** | **Net cash from / (used in) operating activities** | **(164)** | **(164)** |

| | | | |
|---|---|---|---|
| **2.** | **Cash flows from investing activities** | | |
| 2.1 | Payments to acquire or for: | | |
| | (g) entities | - | - |
| | (h) businesses | - | - |
| | (i) property, plant and equipment | (25) | (25) |
| | (j) investments | - | - |
| | (k) intellectual property | (428) | (428) |
| | (l) other non-current assets | - | - |

| Consolidated statement of cash flows | | Current quarter $US'000 | Year to date (3 months) $US'000 |
|---|---|---|---|
| 2.2 | Proceeds from disposal of: | | |
| | (a) entities | - | - |
| | (b) businesses | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) investments | - | - |
| | (e) intellectual property | - | - |
| | (f) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other: | | |
| | (a) funding collateral for transactional business | (418) | (418) |
| **2.6** | **Net cash from / (used in) investing activities** | **(871)** | **(871)** |

| | | | |
|---|---|---|---|
| **3.** | **Cash flows from financing activities** | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 3,076 | 3,076 |
| 3.2 | Proceeds from issue of convertible debt securities | - | - |
| 3.3 | Proceeds from exercise of options | - | - |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | (147) | (147) |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| **3.10** | **Net cash from / (used in) financing activities** | **2,929** | **2,929** |

| | | | |
|---|---|---|---|
| **4.** | **Net increase / (decrease) in cash and cash equivalents for the period** | | |
| 4.1 | Cash and cash equivalents at beginning of period | 2,591 | 2,591 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (164) | (164) |

| Consolidated statement of cash flows | | Current quarter $US'000 | Year to date (3 months) $US'000 |
|---|---|---|---|
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (871) | (871) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 2,929 | 2,929 |
| 4.5 | Effect of movement in exchange rates on cash held | 70 | 70 |
| **4.6** | **Cash and cash equivalents at end of period** | **4,555** | **4,555** |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter $US'000 | Previous quarter $US'000 |
|---|---|---|---|
| 5.1 | Bank balances | 4,555 | 2,591 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| **5.5** | **Cash and cash equivalents at end of quarter (should equal item 4.6 above)** | **4,555** | **2,591** |

| 6. | Payments to related parties of the entity and their associates | Current quarter $US'000 |
|---|---|---|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 98 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

| 7. | **Financing facilities**<br>*Note: the term "facility' includes all forms of financing arrangements available to the entity.*<br>*Add notes as necessary for an understanding of the sources of finance available to the entity.* | **Total facility amount at quarter end $US'000** | **Amount drawn at quarter end $US'000** |
|---|---|---|---|
| 7.1 | Loan facilities | - | - |
| 7.2 | Credit standby arrangements | - | - |
| 7.3 | Other (please specify) | - | - |
| 7.4 | **Total financing facilities** | **-** | **-** |

| | | |
|---|---|---|
| 7.5 | **Unused financing facilities available at quarter end** | - |

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

| |
|---|
| |

| 8. | **Estimated cash available for future operating activities** | **$US'000** |
|---|---|---|
| 8.1 | Net cash from / (used in) operating activities (item 1.9) | (164) |
| 8.2 | Cash and cash equivalents at quarter end (item 4.6) | 4,555 |
| 8.3 | Unused finance facilities available at quarter end (item 7.5) | - |
| 8.4 | Total available funding (item 8.2 + item 8.3) | 4,555 |
| 8.5 | **Estimated quarters of funding available (item 8.4 divided by item 8.1)** | 27.8 |

*Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.*

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

| |
|---|
| Answer: |

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

| |
|---|
| Answer: |

| | |
|---|---|
| 8.6.3 | Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis? |
| Answer: | |
| *Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.* | |

## Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 29 October 2024.....

Authorised by: the Board.....
(Name of body or officer authorising release – see note 4)

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

